FDIC State Profile

Winter 2004

Utah

Job growth in Utah benefited from low interest rates and high commodity prices.

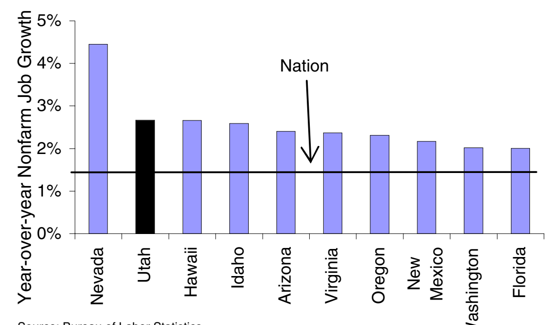
- Nonfarm employment in Utah grew by 28,600 jobs or 2.7 percent on an annual basis as of third quarter 2004, which was twice as fast as the national average growth rate and second only to Nevada (See Chart 1). All sectors posted job growth over this period, with the professional and business services sector (7,800 jobs), the trade, transportation and utilities sector (5,300 jobs), and the construction sector (4,700 jobs) showing the largest gains.
- During the first nine months of 2004, strong construction job growth in Utah responded to record-high homebuilding, which was valued at $2.7 billion. In addition, nonresidential construction increased 30 percent and was valued at $797.1 million during the same period.[1] While part of the increase was due to rising material costs, such as cement, and lumber, low interest rates and strong job growth contributed to this trend.
- Although the natural resources and mining sector is the smallest in terms of total jobs, it reported 6.3 percent year-over-year job growth as of third quarter 2004, second only to growth in the construction sector. Mining operations in the state benefited from increased prices for coal, copper, and other metals during the first half of 2004 compared with the first half of 2003.

Slow Utah home price appreciation may have compounded homeowner problems.

- Despite improving job trends, home prices in the state lagged the national average for the last five years ending in third quarter 2004 (See Chart 2). During the year ending third quarter 2004, home prices appreciated only 3.9 percent, less than a third of the national average of 13.0 percent, ranking Utah next to last in the nation.[2] The state's two large metropolitan areas, **Salt Lake City** and **Provo-Orem**, were at 4.4 percent and 2.8 percent, respectively.

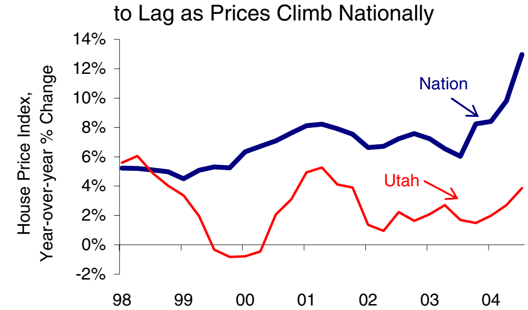
[1]Anderton, Dave "Construction Activity is Soaring," Deseret Morning News, November 11, 2004.
[2]This home price analysis was based on Office of Federal Housing Enterprise Oversight data of existing homes that were refinanced or bought using a conforming loan.

Chart 1: Utah Job Growth Ranked Second in the Nation as of Third Quarter 2004



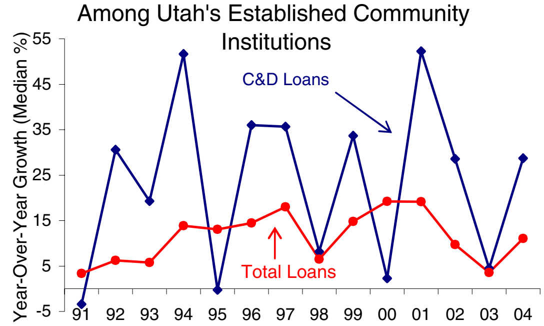
Source: Bureau of Labor Statistics

Chart 2: Utah Home Price Growth Continues to Lag as Prices Climb Nationally



Note: The home price index is a weighted repeat-sales index based on GSE data from conforming properties.
Source: Office of Federal Housing Enterprise Oversight.

Chart 3: C&D Outpaces Total Loan Growth Among Utah's Established Community Institutions



Note: C&D is Construction and Development Loans.
Source: FDIC (September of each year).

- Anemic home price appreciation may have contributed to weak consumer fundamentals. The state ranked fifth highest in both personal bankruptcy filings and foreclosures for the year ending second quarter 2004, an improvement from its second place ranking a year ago.

- In line with the state's weak home price appreciation, year-over-year growth in home equity lines of credit (HELOC) at Utah's established insured institutions not chartered as an Industrial Loan Company (ILC) was 8 percent, slower than the total loan growth rate of 13 percent and far slower than the national median HELOC growth rate of 24 percent.[3] Going forward, strong residential construction, if not met with strong demand, could be a drag on home price appreciation and could also challenge credit quality.

Construction and development (C&D) lending led loan growth.

- Consistent with record-high residential construction, C&D loans at established community institutions headquartered in Utah posted a one-year growth rate of 29 percent as of third quarter 2004 (See Chart 3).[4]

- C&D exposure at established community institutions in Utah remained high, with 72 percent of the institutions reporting C&D loan to Tier 1 capital ratios in excess of 100 percent.

Delinquent loan levels improve, but remain high relative to the nation.

- Utah's insured institutions reported a significant improvement in the median past-due ratio, which decreased from 2.85 percent to 1.69 percent year-over-year as of September 30, 2004; the median past-due ratio remains high relative to other states, ranking the 15th highest in the nation (See Chart 4).

- Improvement was noted across all loan categories, with the exception of commercial and industrial (C&I) loans. The median C&I past-due ratio increased to 3.22 percent from 2.67 percent year-over-year as of September 30, 2004, and ranked second in the nation. Additionally, almost one-third of the 50 institutions reporting C&I lending activity had C&I past-due ratios greater than 5 percent of total C&I loans. These institutions were not centered in any geographic area; the high level of C&I delinquencies may be a hangover from the 2001 recession, which significantly affected Utah's economy.

Earnings performance at Utah's institutions remains strong, but was lower than last year's level.

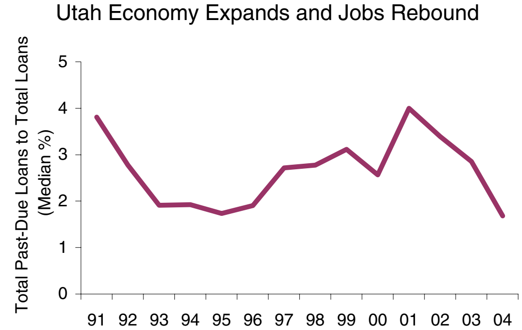
- The median quarterly return on average assets (ROA) for Utah's insured institutions was 1.58 percent as of September 30, 2004. Although ROA for the quarter was substantially higher than the 1.05 percent reported for insured institutions nationally, it was lower than the 1.69 percent posted by the state's insured institutions last year. The large number of de novo and Industrial Loan Companies (ILC) headquartered in the state can obscure the performance of the remaining insured institutions. Established insured institutions not chartered as an ILC reported a median ROA of 1.51 percent, slightly higher than the 1.49 percent reported one year prior.

ILCs somewhat distort the state's deposit growth rate.

- Utah reported the highest deposit growth rate in the nation during the past decade. Deposit growth was primarily centered in ILCs, which accounted for 71 percent market share of the state's deposits. However, ILC deposits often are not local, but instead are garnered from the parent company's national or global operations.

- Excluding ILC deposits, Utah's deposit growth ranks fifth in the nation, which is exceptional considering the formidable competition from local credit unions. Utah's credit union market share ranks second in the nation when ILC deposits are excluded. Utah's growing population is one factor driving deposit growth; the state reported the fifth highest population growth rate during the past decade.

Chart 4: Past-due Loans Have Declined as the Utah Economy Expands and Jobs Rebound



Source: FDIC (September of each year).

[3]On an aggregate basis, home equity lines of credit (HELOC) led loan growth nationwide in the third quarter 2004, with additions of $44 billion, or a 10.6 percent quarterly increase (42.4 percent annualized).

[4]Established community institutions are defined as insured institutions open more than three years with less than $1 billion in total assets, excluding industrial loan companies and specialty institutions.

Utah at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	66	62	60	60	59
Total Assets (in thousands)	198,169,236	136,829,306	134,813,564	128,105,918	90,019,058
New Institutions (# < 3 years)	11	9	13	13	12
New Institutions (# < 9 years)	33	27	26	28	26

Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	13.94	12.55	11.96	12.95	12.55

Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.68%	2.85%	3.39%	4.00%	2.56%
Past-Due and Nonaccrual >= 5%	12	15	21	21	11
ALLL/Total Loans (median %)	1.51%	1.68%	1.68%	1.68%	1.59%
ALLL/Noncurrent Loans (median multiple)	2.65	2.37	1.81	1.48	1.72
Net Loan Losses/Loans (aggregate)	1.25%	2.24%	2.69%	2.77%	2.31%

Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	8	4	7	10	9
Percent Unprofitable	12.12%	6.45%	11.67%	16.67%	15.25%
Return on Assets (median %)	1.58	1.69	1.81	1.61	1.72
25th Percentile	0.79	0.88	0.93	0.65	0.89
Net Interest Margin (median %)	5.25%	5.43%	5.59%	5.79%	5.92%
Yield on Earning Assets (median)	6.59%	7.01%	8.06%	9.31%	9.56%
Cost of Funding Earning Assets (median)	1.22%	1.54%	2.20%	3.32%	3.71%
Provisions to Avg. Assets (median)	0.27%	0.33%	0.46%	0.42%	0.33%
Noninterest Income to Avg. Assets (median)	1.11%	1.60%	1.30%	1.35%	1.40%
Overhead to Avg. Assets (median)	3.53%	3.60%	3.82%	4.66%	4.21%

Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	91.23%	86.37%	86.78%	86.69%	85.03%
Loans to Assets (median %)	73.33%	70.74%	72.45%	70.99%	68.22%
Brokered Deposits (# of Institutions)	35	31	31	24	20
Bro. Deps./Assets (median for above inst.)	31.35%	32.35%	23.80%	22.20%	32.45%
Noncore Funding to Assets (median)	25.80%	22.10%	27.45%	21.01%	19.75%
Core Funding to Assets (median)	29.93%	44.08%	49.27%	56.74%	50.60%

Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	49	45	43	42	40
National	7	7	7	8	8
State Member	5	6	6	6	6
S&L	1	1	1	1	1
Savings Bank	4	3	3	3	4
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Salt Lake City-Ogden UT	48	194,899,187	72.73%	98.35%
No MSA	11	1,762,254	16.67%	0.89%
Provo-Orem UT	7	1,507,795	10.61%	0.76%